

DOUGLAS COUNTY ROADS FUNDING

Roads Funding Task Force
June 26, 2013



Overview

- Challenges
- Financial State of Economy
- Budgets
 - Road Operating
 - Regional Transportation
 - Tahoe-Douglas Transportation
- Potential Funding Options
- Future Action – Recommendations
- Conclusion

Challenges

- Strategic Plan Priority - Infrastructure
 - Goal: “Douglas County will provide for the maintenance and infrastructure necessary to meet current and future service levels”
- Priority Based Budgeting - Results Map
 - Community Oriented Results
 - Reliable Well-maintained Infrastructure
- 1st Annual Financial State of the County
 - Summary
 - Need to invest in infrastructure maintenance
- Growing Number of Citizen Complaints

Roads – Douglas County’s largest classification of fixed assets @ approximately \$165M.

2013 Financial State of the County

- 2003 State of the County:
 - Assessed values growing
 - Population growing
 - Revenues growing
 - Business base growing
 - Unemployment at 4.9%
 - Personnel costs up 10.5%
 - Public services growing
 - **“Investment in county’s infrastructure is needed. Street maintenance is lacking.”**
- The State of Douglas County was stable, with a positive outlook
- 2013:
 - Assessed values have declined
 - Population has declined
 - Revenues flat
 - Business base has diversified
 - Unemployment at 10.9%
 - Personnel costs down
 - Leaner, more cost-effective public services
 - **“Need to invest in infrastructure”**
- While challenges remain, the State of Douglas County is **stronger today** than it has been in over five years
- Reason to be optimistic if we continue to focus on solutions to our challenges

2013 Financial State of the County



“The Pothole Cliff”

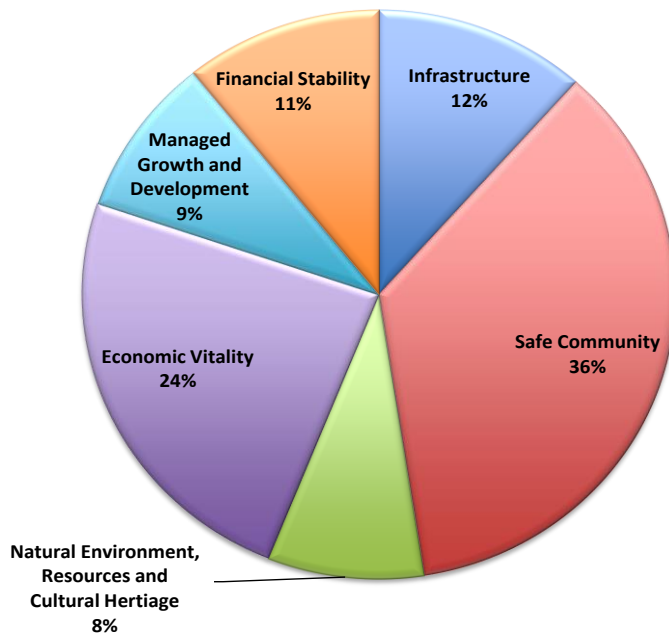
- County maintains 230 miles
- Pavement Condition Index (PCI) = 58 “poor” (was 62 in 2010/11)
- County spends 5-10% of the amount Minden and Gardnerville spend
- Board began shifting existing property taxes to roads in 2013

Priority Based Budgeting

How we invest
taxpayer funds today



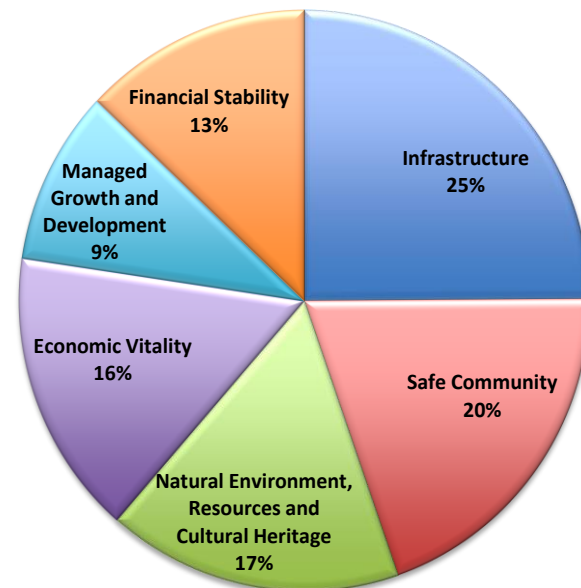
**Douglas County
Current Investments**



How the Budget Challenge respondents said
we should be investing taxpayer funds



**Douglas County
Budget Challenge**



Low Tax Structure



“ The political landscape of Douglas County isn’t particularly conducive to building or maintaining infrastructure.

Looking back over some of the biggest controversies over the past two decades, whether growth, utility service or roads, it’s all about how the county has worked around the reluctance of voters to tax themselves.”

Editorial from 3/6/13 Record Courier

Low Tax Structure

Douglas County

- 3.1425 overlapping property tax rate (8th lowest)*
- 7.1% sales tax (6th lowest)*
- 2.5% utility operator fee*
- \$0.04 gas tax*
- No business license fee*

Carson City

- ▶ 3.5556 overlapping property tax rate
- ▶ 7.475% sales tax
- ▶ 4.5% utility operator fee
- ▶ \$0.09 gas tax
- ▶ Charges business license fee



lower than Lyon, Carson and Washoe

Road Operating “Revenue”

- Fund 232 – Road Operating
 - Routine Maintenance¹
 - FY 14 Adopted Budget = \$2,159,986

- Revenue Sources:

– 6.35¢ gas tax (mandated by State)	\$1,058,532
– 1% valley room tax	76,769
– 1¢ property tax transfer from general fund	214,343
– Interest on investment	3,000
– <u>Beg. fund balance/reserves</u>	<u>807,342</u>
	\$2,159,986

¹ Grading, potholes, crack sealing, painting, signs, snow plowing, etc. (day-to-day operations, basic maintenance and safety)

Road Operating “Expense”

- Routine Maintenance

- Major Expense Categories

• Labor	\$ 690,672
• Services & Supplies	659,482 ¹
• Contingency	40,505
• Equipment & Emergency Reserve	657,264 ²
• <u>Ending fund balance/reserves</u>	<u>112,063</u>
	\$2,159,986

¹ Other maintenance supply (\$143,069) – materials budget

² Heavy equipment replacement value @ \$1.6M

- FY 13 total scheduled replacement value @ \$730,000

Regional Transportation “Revenue”

- Fund 430 – RTC

- Preventative/Corrective Maintenance¹

- FY 14 Adopted Budget = \$3,362,842

- Revenue Sources:

– Residential construction tax	\$ 15,000
– Commercial construction tax	25,000
– 4¢ gas tax	715,141
– Transfer in from general fund	1,053,638
– Interest on investment	11,000
– <u>Beg. fund balance/reserves</u>	<u>1,543,063</u>
	\$3,362,842

¹ Slurry seals, chip seals, overlays, etc (extends useful life of roadway)

Regional Transportation “Expense”

- Preventative/Corrective Maintenance
 - Major Expense Categories

• Labor	\$ 134,837
• Services & Supplies (Private Contracts)	1,934,036 ¹
• Debt (highway bond)	226,890 ²
• Capital Projects	280,000
• <u>Ending fund balance/reserves</u>	<u>787,079</u>
	\$ 3,362,842

¹ Preventative/corrective maintenance (\$1,329,945)

² Debt ends FY 18

Tahoe-Douglas Transportation District

“Revenue”

- Fund 236 – TDTD
 - Lake Tahoe Transportation & Transit
 - FY 14 Adopted Budget = \$503,402
 - Revenue Sources:

– 1% Lake Room Tax	\$464,615
– Interest on investment	700
– <u>Beg. fund balance reserves</u>	<u>38,087</u>
	\$503,402

Tahoe-Douglas Transportation District

“Expense”

- Lake Tahoe Transportation & Transit

- Major Expense Categories

• Labor	\$ 12,717
• Services & Supplies	140,279 ¹
• Debt (parking garage)	287,222 ²
• Contingency	5,313
• Board Designated	43,172
• <u>Ending fund balance/reserves</u>	<u>14,699</u>
	\$503,402

¹ Blue-Go, rents & leases, professional services

² Debt ends FY 20

Potential Funding Options

- Utility Operator Fee
 - NRS 354.59881 – State Laws allows up to 5% on natural gas, electricity and telecommunications
 - 1% = \$800,000 per year
 - 2.5% available (1% every other year)
- Gas Tax
 - NRS 373.030 – State Law allows up to 9¢ per gallon
 - 5¢ per gallon available = \$900,000 per year
 - May be phased in over time
- Infrastructure Tax
 - NRS 377B.110 – State allows for a 0.25% local option sales tax
 - 0.25% sales tax = \$1,300,000 per year
- Public Transit & Road Maintenance Tax
 - NRS 377A.030 - State allows for a 0.50% local option sales tax
 - 0.50% sales Tax = \$2,600,000 per year
 - Requires voter approval
- General Fund
 - Re-allocation of general fund

Future Action - Recommendation

- Do Nothing
- Re-allocate Existing Budget:
 - If so:
 - How Much?
 - Eliminate or reduce programs?
 - Time-line (phase-in)
- Implement New Funding Source:
 - If so:
 - How much?
 - Which Option(s)
 - Time-line (phase-in)

Conclusion

- Status Quo
 - Road quality (PCI) will continue to deteriorate at an accelerated rate, resulting in increased future costs, reduced level of service and increased customer complaints
- Funding
 - Combination of funding sources are needed to either maintain current PCI, or to meet PCI goal of 70